

CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

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SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 11

ATTACHMENT(S): 3

ACTION: \_\_\_\_\_

DATE OF MEETING: August 4, 1999

INFORMATION: X

PRESENTER(S): Mr. Mitchell

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The following is a summary of the developments in the financial markets that have occurred between July 1, 1999 and July 18, 1999.

1. The yield on the 30-year U.S. Treasury bond has decreased from 5.96% to 5.88%.
2. The market level of the S&P 500 Index has increased from 1,372 to 1,408.
3. The U.S. dollar has strengthened compared to pound sterling (1.58 to 1.56) and euro (104 to 102) while remaining constant compared to the yen (121 to 121).
4. The Federal Reserve Board of Governors will hold their meeting on August 24, 1999. After raising the Federal Funds target 0.25% on June 30, 1999, the Federal Reserve is expected to take no additional action leaving the rates unchanged.

NOTE: Attachments 1 & 2 are not available in electronic format at this time.

**California State Teachers' Retirement System**  
**Internal S&P 500 Indexed Portfolio Return**

The California State Teachers' Retirement System's internal S&P 500 Indexed Portfolio (Portfolio) was \$6,392,580,385 as of June 30, 1999. The performance objective of the Portfolio is to closely track the return of the S&P 500 Index. Table 1 summarizes the results for the Portfolio, the benchmark S&P 500 Index, and the difference, called "tracking error."

**Table 1: S&P 500 Performance**

<b>Period</b>	<b>Portfolio Return</b>	<b>Index Return</b>	<b>Tracking Error</b>
3/31/98 – 12/31/98	12.892	12.975	-0.083
12/31/98 – 6/30/99	12.305	12.237	+0.068

Portfolio return calculated by State Street Bank Analytics.

The total return for the Index was calculated by Wilshire Associates.